

Message Text

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62

ACTION NEA-12

INFO OCT-01 AF-10 ISO-00 SSO-00 NSCE-00 CCO-00 INRE-00

USSS-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-15 EB-11 OMB-01 TRSE-00 DRC-01

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R 141819Z OCT 73

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 111

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

USINT CAIRO

AMCONSUL JERUSALEM

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY TRIPLI

USCINCEUR

C O N F I D E N T I A L TEL AVIV 8077

E.O. 11652: GDS

TAGS: EFIN, IS

SUBJECT: FINANCING THE WAR

REF: TEL AVIV 7950

1. SUMMARY. AS THE WAR ENTERS ITS SECOND WEEK, THE GOI'S PLANS FOR FINANCING IT HAVE BEGUN TO TAKE MORE CONCRETE SHAPE. LATEST ESTIMATE OF COST OF WAR THUS FAR IS IL 8,000 MILLION (NEARLY \$2 BILLION), OR ONE-THIRD OF WHAT WAS TO HAVE BEEN THE BUDGET THIS YEAR. SO FAR GOI HAS ANNOUNCED PLANS TO RAISE IL 2,000 OF THIS IN ISRAEL, HALF AS A COMPULSORY LOAN, HALF THROUGH VOLUNTARY LOANS. APPA-CONFIDENTIAL

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RENTLY MOST OF REMAINDER IS TO BE RAISED ABROAD. END

SUMMARY.

2. AFTER INITIAL PERIOD OF CONFUSION DUE TO UNEXPECTEDNESS OF WAR, GOI'S PLANS TO FINANCE WAR HAVE BEGUN TO ASSUME CONCRETE SHAPE. GOI HAS ANNOUNCED COMPULSORY LOAN WHICH

IS TO BE LEVIED; VOLUNTARY WAR LOAN TO BE RAISED BY SALES OF GOVT BONDS; AND HAS GONE INTO HIGH GEAR IN EFFORTS TO RAISE FUNDS ABROAD. RELATIVE RESTRAINT IN IMPOSING WAR TAXES PROBABLY OWES SOMETHING TO UPCOMING ELECTIONS, AND SOMETHING TO HIGH EXPECTATIONS OF FUND RAISING ABROAD.

3. COST OF WAR AT END OF SIX DAYS FIGHTING WAS ESTIMATED PUBLICLY BY FINANCE MINISTER SAPIR AT OVER 8,000 MILLION (NEARLY \$2 BILLION) INCLUDING CIVILIAN PRODUCTION FORGONE. IT IS DOUBTFUL THAT THIS FIGURE HAS BEEN CAREFULLY CALCULATED; IT SHOULD BE CONSIDERED HORSEBACK ESTIMATE. PERHAPS \$750 MILLION OF THIS IS COST OF REPLACING EXPENDED AND DESTROYED EQUIPMENT, OF WHICH POSSIBLY \$600 MILLION IN FOREIGN EXCHANGE COSTS.

4. TUSCOVER COSTS, ANNOUNCED PLANS ARE TO RAISE IL 2,000 MILLION (\$476 MILLION) IN ISRAEL, HALF AS A COMPULSORY LOAN, HALF THROUGH VOLUNTARY WAR LOANS. COMPULSORY LOAN IS TO BE ASSESSED PROGRESSIVELY ON TAXABLE INCOME AS PRESENTLY DEFINED, DEDUCTIONS STARTING WITH OCTOBER PAY CHECKS. RATE WILL BE 7 PERCENT ON FIRST IL 40,000 (\$9,524), 9 PERCENT ON NEXT IL 20,000 AND 12 PERCENT ON INCREMENTS OVER IL 60,000 (\$14,286). PRINCIPAL OF COMPULSORY LOAN WILL BE LINKED TO CONSUMER PRICE INDEX, BEAR 3 PERCENT INTEREST (UNLINKED) PAYABLE EVERY FIVE YEARS, AND MATURE IN 15 YEARS. VOLUNTARY LOAN DRIVE, HEADED BY YITZHAK RABIN, AIMS TO SELL GOVERNMENT BONDS OF AT LEAST IL 1,000 MILLION. LEADING FIGURES IN ISRAEL HAVE PLEDGED ONE MONTH'S SALARY TO PURCHASE OF BONDS. IT IS CLAIMED THAT IL 300 MILLION HAS BEEN PLEDGED SO FAR.

5. ABROAD, FUND RAISING QUOTAS OF ALL COUNTRIES HAVE BEEN RAISED. ISRAEL BOND SALES IN UNITED STATES AND CANADA ARE SAID TO HAVE EXCEEDED \$150 MILLION DURING PAST WEEK. IT
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IS LIKELY THAT BOND SALES (GROSS) WILL APPROXIMATE \$450 MILLION THIS YEAR, AS AGAINST FORECAST OF \$315 MILLION IN JANUARY, AND \$147 MILLION ACTUALLY SOLD JANUARY THROUGH JUNE. ON PREVIOUS FORM UJA CONTRIBUTIONS IN OTHER COUNTRIES WILL BE SHARPLY STIMULATED, BUT FIGURES ARE STILL LACKING. FINMIN SPAIR HAS GONE TO UNITED STATES TO ADD HIS PRESTIGE TO FUND DRIVE.
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